

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH CAROLINA**

In the Matter of the Petition of the South Carolina
Telephone Coalition for a Determination that
Wireless Carriers are Providing Radio-Based Local
Exchange Services in South Carolina that Compete
with Local Telecommunications Services Provided
in the State

Docket 2015-290-C

**REBUTTAL TESTIMONY OF LARRY THOMPSON
ON BEHALF OF SOUTH CAROLINA TELEPHONE COALITION**

October 20, 2015

1 **Q. Please state your name, employer, business address and telephone number.**

2 A. My name is Larry Thompson. I am the Chief Executive Officer of Vantage Point Solutions,
3 Inc. (“Vantage Point”). My business address is 2211 North Minnesota Street, Mitchell,
4 South Dakota, 57301.

5 **Q. Are you the same Larry Thompson that submitted pre-filed direct testimony in this**
6 **proceeding?**

7 A. Yes.

8 **Q. What is the purpose of your rebuttal testimony?**

9 A. The purpose of this testimony is to address certain fallacies related to my direct testimony
10 that have been advanced in the Responsive Testimony of Don Price on Behalf of CTIA –
11 The Wireless Association® and its participating member companies Sprint, T-Mobile,
12 TracFone, US Cellular, and Verizon (referred to collectively as “CTIA”). These fallacies
13 concern the topics of geographic service area, wireless telephone carrier provision of local
14 voice service, and wireless telephone carrier coverage and competition.

15 **Q. In his reply testimony, Mr. Price claims that “Mr. Thompson testifies (at p. 6) that**
16 **any overlap in service territory is sufficient”¹ to meet the statutory test. Is this true?**

17 A. No. Mr. Price has taken my statement out of context and distorted it for his own purposes.
18 I was simply defining a competitive telecommunications service. To understand the
19 context, my full statement was, “Telecommunications services are competitive if the same
20 service, its functional equivalent, or a substitute service is available from two or more
21 providers in a given geographic area. The size of the complete service territory of either
22 provider in relation to the other is immaterial; same, functionally equivalent or substitute

¹ Responsive Testimony of Don Price on Behalf of CTIA (“Don Price Testimony”), Page 10, Lines 22-23.

1 services will be competitive wherever service territories overlap.” Service territory overlap
2 is a *necessary* condition of telecommunications service competition, but is not *sufficient* to
3 establish that the services are competitive. For example, a telecommunications service that
4 is offered only in Columbia is likely not very competitive with a telecommunications
5 service that is offered only in Charleston. Even though it is not clear to me whether S.C.
6 Code Ann. § 58-9-280(G)(1) applies in this proceeding, my definition of competition is
7 consistent with the statute and results in the same conclusion that wireless telephone
8 services and landline telephone services are competitive.

9 **Q. Do you agree that “SCTC’s position makes the statutory criteria irrelevant” as stated**
10 **by Mr. Price?**²

11 A. No. This is simply another one of Mr. Price’s red herrings. When S.C. Code §§ 58-9-
12 280(E)(2) and (E)(3) were enacted, wireless voice services were in their infancy. The
13 legislation deferred the requirement for these carriers to contribute to the State USF until
14 such time as they were found to be competitive with landline services.³ Today, the wireless
15 telephone carriers have 4.5 million customers in South Carolina according to Mr. Price.⁴
16 The time has long since passed when radio-based local exchange services became
17 competitive with local telecommunications service in South Carolina and, therefore, for
18 wireless telephone carriers to have been required to contribute on an equitable basis to
19 support universal service in South Carolina.

² *Id.* at p. 11, line 3.

³ *See* S.C. Code Ann. §58-9-10(15).

⁴ Don Price Testimony at p. 11, line 5; p. 19, line 21.

1 **Q. Do you agree with Mr. Price’s inference that wireless telephone carriers do not**
2 **provide local telecommunications service, since they “typically only offer all-distance**
3 **services”?**⁵

4 A. No. Just because the wireless telephone carrier may have a larger calling scope than the
5 landline telephone carrier, it does not mean that the wireless telephone carrier does not
6 offer local service. In fact Mr. Price admits this in his answer to the question that follows
7 in his testimony, which asks, “Is it possible to make a local call from a wireless phone?”
8 and to which he responds that “It is certainly possible...” However he goes on to say, “But
9 I am not aware of any wireless carriers that have local calling areas for *retail* purposes
10 (emphasis added),” and further goes on to discuss pricing differences between the two
11 services.⁶ Mr. Price apparently is attempting to argue that wireless telephone carriers do
12 not provide local calling because they offer different retail *pricing* plans than those offered
13 by landline telephone carriers. This of course is completely inappropriate. Comparison of
14 retail pricing for services that are functionally equivalent is not the issue here at all. The
15 statutes referenced heretofore say nothing of comparison of pricing plans as a means of
16 determining the wireless telephone carrier’s ability to provide local service or to be
17 competitive with landline telephone services. Even Subsection (G)(1), referenced by Mr.
18 Price, provides that “Competition exists for a particular service if...the service, its
19 functional equivalent, or a substitute service is available from two or more providers.” This
20 certainly is the case in South Carolina.

⁵ *Id.* at p. 12 lines 6-8.

⁶ *Id.* at p. 12, lines 9-19.

1 **Q. Does the Federal Communications Commission (“FCC”) consider wireless telephone**
2 **carriers to be providers of competitive “local” telephone service?**

3 A. Yes. The FCC certainly recognizes wireless telephone carriers as “providers of local
4 telephone service” in its Local Telecommunications Competition Report, as I have detailed
5 in my testimony.⁷ In fact the majority of my testimony establishes in unmistakable detail
6 the functional equivalence of wireless voice telephone and wireline voice telephone
7 services in South Carolina.⁸

8 **Q. Do you agree with Mr. Price when he states that the coverage maps in your testimony**
9 **“fail to shed any light on competition between any of the SCTC member companies**
10 **and wireless telephone carriers”?**⁹

11 A. No. As stated previously, wireless coverage is necessary, but not sufficient to establish
12 competition. The coverage maps provided simply show that the four major wireless
13 telephone carriers have large networks in South Carolina that cover much of the state,
14 including many of the areas served by the SCTC member companies, as depicted on the
15 maps included as Exhibits LT-1 through LT-5 to my direct testimony. Mr. Price even
16 seems to suggest that these networks may have been constructed to serve only customers
17 “passing through” the area. This assertion defies logic and common sense, especially when
18 one can easily find numerous retail locations for many of the wireless telephone carriers
19 throughout South Carolina.

⁷ Direct Testimony of Larry Thompson (“Larry Thompson Testimony”), p. 7, line 3 – p. 9, line 2.

⁸ *Id.* at p. 4, line 13 – p. 5, line 7; p. 10, line 15 – p. 18, line 5; p. 20, lines 1-13; p. 21, lines 1-6.

⁹ Don Price Testimony, p. 14, line 17.

1 **Q. Mr. Price suggests that it is not possible to determine whether wireless telephone**
2 **carriers are competing, since other carriers such as cable compete with local exchange**
3 **carriers.¹⁰ Is this true?**

4 A. No. Even if some of the landline loss is due to other competitors, this does not negate the
5 fact that wireless telephone services are competitive with landline telephone services. The
6 amount of the impact on subscription levels of traditional local exchange carriers, and
7 indeed this entire line of questioning, is irrelevant to the Commission’s determination in
8 this case. Again, as provided in Subsection (E)(2), all telecommunications carriers –
9 including wireless carriers who provide service that competes with landline service – are
10 required to contribute to State USF. Even Subsection (G)(1), referenced by Mr. Price,¹¹
11 states that “Competition exists for a particular service if...the service, its functional
12 equivalent, or a substitute service *is available* from two or more providers (emphasis
13 added).” The statutes say nothing of any requirement to demonstrate any market share that
14 any of the two or more providers is able to attain. Even if they did, the fact remains that
15 wireless telephone carriers, by CTIA’s own admission, have 4.5 million customers in South
16 Carolina. Additionally, Figure 2 in my direct testimony, a graph and table from the FCC’s
17 “Local Competition Report,” does clearly depict the relative growth and market share of
18 both “Interconnected VoIP Subscriptions” and “Mobile Telephony Subscriptions.”¹² This
19 supplanting could not have occurred if the services were not similar and, therefore,
20 competitive.

¹⁰ *Id.* at p. 17, lines 11-13.

¹¹ *Id.* at p. 6, lines 16-22.

¹² Larry Thompson Testimony, p. 8, line 1.

1 **Q. Does the fact that the wireless telephone carriers offer “all-distance service” make**
2 **them any less competitive with the landline carriers?**¹³

3 A. No. Mr. Price’s so-called “all-distance service” could be a reason for customers to choose
4 wireless over landline voice services. However, this argument does not make the wireless
5 telephone service any less competitive. In fact, Mr. Price is simply contrasting *pricing*
6 plans for retail offerings, as discussed previously. In my direct testimony, I demonstrated
7 that wireless telephone service has supplanted wireline voice telephone service, with
8 revealing evidence from both the Centers For Disease Control and Prevention’s National
9 Health Interview Survey¹⁴ and the FCC’s Local Competition Report,¹⁵ and with even more
10 telling evidence from Verizon’s own Annual Report recognizing a “*decline in Consumer*
11 *retail voice connections resulting primarily from competition and technology substitution*
12 *with wireless*, competing VoIP, and cable telephony services”¹⁶ (emphasis added). Mr.
13 Price attempts to brush off this preponderance of evidence by stating that “the evidence is
14 not specific to a particular service or area of the country, and provides no South Carolina-
15 specific facts.”¹⁷ However his statement immediately preceding this admits that this is an
16 industry-wide phenomenon, saying that it is descriptive of “a communications industry in

¹³ Don Price Testimony, p. 12, lines 14-19.

¹⁴ Larry Thompson Testimony, Figure 1, p. 7.

¹⁵ *Id.* at Figure 2, p. 8.

¹⁶ *Id.* at p. 10, lines 10-13.

¹⁷ Don Price Testimony, p. 18, line 8.

1 transition,”¹⁸ and he offers no evidence as to why South Carolina would somehow be
2 immune to it.

3 **Q. What is your response to Mr. Price’s statement that your testimony “fails to compare**
4 **particular wireless and wireline services”?**¹⁹

5 A. I am astounded at this assertion in light of his admitting in the preceding sentence that
6 “...both wireline telephone service and wireless telephone service enable customers to
7 place and receive calls,” and that, “There is no debate that both services offer that
8 functionality....”²⁰ He has even rightly characterized both as providing “telephone” (*i.e.*,
9 voice) service. I can only conclude that this is another inappropriate attempt to assert that
10 wireless telephone service and wireline telephone service are somehow differentiated by
11 retail pricing options. I have established at length in my testimony that both services meet
12 the definition of local exchange service in that they both provide the functionality that even
13 Mr. Price describes above, both for calls to/from within the wireline telephone company’s
14 local exchange, and to/from all other numbers in the Public Switched Telephone Network
15 (“PSTN”), which even Verizon describes as local exchange service,²¹ with highly similar
16 end user experience.

17 **Q. Does this conclude your rebuttal testimony?**

18 A. Yes.

¹⁸ *Id.* at p. 18, line 6.

¹⁹ *Id.* at p. 18, line 16.

²⁰ *Id.* at p. 18, line 13.

²¹ Larry Thompson Testimony, p. 11, line 6.